

## Intergovernmental Relations Meeting

### General Assembly Building

July 14, 2009

In attendance: Dubby Wynne, Mayor Paul Fraim, Delegate Lee Ware, Senator L. Louise Lucas, Matt Bruning, Bill Leighty, Rick Neel,

Mayor Fraim called the meeting to order at 1:10 p.m., asked committee members to introduce themselves. He emphasized the need for big ideas, big thinking, and big changes. He discussed what the roles of local and state governments should be. This will be an ongoing conversation, he said; the committee will not have anything to present before a special session of the legislature. He discussed the need to find the most effective ways of delivering services and the most efficient revenue sources. He said that the committee should seek solutions in the short term, and advance simple proposals to provide local government with more flexibility in their day-to-day administrative tasks.

#### Presentation - Definition of the Commonwealth's Core Business

Mayor Fraim introduced Martin Kent. Kent gave a presentation on Core Services and Trends Affecting Intergovernmental Relations. Kent stated the importance of the mission to reform government and the Governor's interest in seeing it accomplished. He said that the economy is driven by business interests and is reliant upon the private sector. Local government is important, he said. He summarized the Governor's view of core principles of state government as being embodied by the Constitution of Virginia, the Virginia Code (with responsibility placed by the General Assembly), and police powers (health, public safety, welfare, education, and conservation). Kent said that as a commonwealth, the government was instituted for common benefit. Government activities should be looked at and the question should be asked, "Is this a core mission of government?" "Have citizens come to expect it?"

Secretary Ric Brown was introduced and took the podium. Sec. Brown said that almost half of general funding operating budget goes to localities. The state isn't really a service provider, he said. Instead, it pays others to provide services and is in effect a financier of services. One-fifth of the state budget goes to individuals, he said (i.e. Medicaid). The core services of government are external (such as debt collection), federal mandates, health and human resources, public safety, higher education, and general operations, he said, and noted that everything in the budget is important to somebody. Virtually anything can be justified, he said. The Commonwealth will stay below historical general fund revenues for some time, he said, and we don't know what will change our current growth trends. A large percentage of the budget comes from personal income tax, he said, which is volatile because much of that comes from unearned income (i.e. investments). There is an expectation of more demands placed on slower growth because of health care reform and VRS, he said. There must be a better distribution of state vs. local management of revenues, he said.

Wynne commented that the last reform commission asked what the state's long-term goals and expectations were, and suggested that it would be good to put them together with the current commission's goals to be more objective and transparent.

Sec. Brown replied that an understandable matrix needed to be developed, with sorted brackets of outcomes and a look at the services being provided.

Del. Ware asked what the biggest federal mandates were. Sec. Brown replied that health care was the biggest; 20% of the budget comes from the federal government.

Wynne commented that there is a policy debate on expenditures on current spending vs. future spending and return on investments.

#### Presentation – Accountability for Outcomes vs. Mandated Compliance

Bill Leighty was introduced. He noted that there is a fractured delivery system in communications and no performance measures tied to local grants, but still lots of mandates. Virginia is ahead of most states, he said. “Vision without execution is hallucination,” he said; “execution without vision is chaos.” Government response is dominated by legislation, not by citizen demands, he said. “We have more programs to deal with life events than there are life events,” he said. Between 2004 and 2005, 23 new ear-marked workforce development bills from congress were introduced, he said. Both state and federal government fracture services to local governments, he said, and this preponderance of spending has no performance measures in place. SNP reformed government in 2007, he said. It froze all mandates and asked local governments to join a single outcome agreement, he said. Some local governments do like state mandates because they allow them to do things that are not politically popular.

Del. Ware asked about ways of preventing errors in simplifying government.

Leighty replied that when someone in government makes a mistake, they pass a resolution to ensure that it doesn’t happen again. He commented that many programs are geared toward producing compliance, not performance.

Mayor Fraim commented that government is even more fractured today, with little influence on workforce development.

Leighty suggested as one answer to this the Council on Virginia’s Future. Mayor Fraim commented that performance is not discussed at the local level.

Jane Kuziak was introduced and began her presentation. She noted the need for better alignment in a financing and performance matrix and leadership and partnership between the system and governments. The federal government has its own targets and is often unaware of the current situation, she said. Scotland was able to reduce levels of bureaucracy and give leeway for spending within agencies, she noted.

Wynne commented that the last commission saw no long-term goals. He said that it gained the support of the General Assembly through the use of metrics, and built a platform to look at the future. He urged caution when strengthening localities; instead, he said to focus on regions.

#### Presentation – Potential Approaches for Encouraging Enhanced Regional Collaboration & Partnership

Wynne was introduced. He said that Virginia's future depends on regionalism, something that is currently not incentivized by government. There are several advantages to using size, he said, such as in purchasing power. Decisions are currently being made according to authority of the decision makers, not on logic. In order for services to be effective, they cannot be confined to jurisdictional borders, he said. No single jurisdiction can deliver the level of service that a unified region could, he said. Nor could a single jurisdiction do as good of a job attracting jobs and retaining residents, he said. He said that the jobs commission and higher education commission are talking about regional activities. The state is the sum of the region's strengths and weaknesses, he said, but a statewide approach is needed. We need legislation to encourage and reinforce infrastructure and to increase education and the availability of jobs, he said.

Kuziak continued the presentation. She noted that there is no regional division system in place currently. The goal should be to create a performance platform linked to budgeting, she said. She compared Virginia over time and to other states. Virginia must work to retain and sharpen competitive edges, she said. Regional snapshots show diversity and highlight disagreement about dividing into systems, particularly because rules and regulations vary by jurisdiction. She used the Department of Education as an example. She said the reason for looking at outcomes is "to cut across silos." The key is to bring stakeholders together, she said.

John Thomas, Director of UVA Weldon Cooper Center for Public Service was introduced. He spoke about the cooperative purchasing experiences of Ohio and Michigan, in which the states saved 50% on the purchase of rock salt. He quoted Winston Churchill: "Americans can always be counted on to do the right thing after they have exhausted all other options." He noted the American emphasis on competition, coercion, collusions, cooperation, and collaboration. Those in the public arena are required to have a more short-term perspective, he said, given the nature of their two- and four-year terms. Corporate leaders have a better long-term view, as do higher education institutions and less economically vulnerable citizens, he said. He noted that joint ventures often dissolve during recessions, which diminish trust. It's about governance, not government, he said; we must ask what problem it is that we are looking to solve and what governance is needed to it. -Isms don't work, he said; we must focus on governance. He cited as examples the Metro Council in Minneapolis/St. Paul; Portland and surrounding counties; and San Diego County.

Mayor Fraim asked whether there are public policies that work against regional governance, and whether other states have implemented policies that have worked. Thomas offered the concept of independent cities as an answer, and noted that the most effectively managed local governments are in Virginia. Fraim and Thomas had an exchange about the issue. Thomas urged a negotiation about the roles of state and local government, and used Hanover as an example of collaboration between the two. Fraim said that there are many things done under the Dillon Rule that would be better left to local governments. Thomas said that that wouldn't work without fiscal flexibility. Fear of eliminating the Dillon Rule stems from concerns for tax variations and effects on corporations, Thomas said. Thomas said that everything needs to be on the table and leadership must come from the business community. He emphasized the need for public-private ventures.

Wynne commented that he doesn't see any appetite for any type of tax increase. Changing the Dillon Rule would increase taxes and increase disparities between regions. Lots can be done

short of changing the Dillon Rule, he said. He recommended a study on regionalism to identify best practices and efficiencies. The first priority, he said, is to better use existing money.

Mayor Fraim commented that if the governor wants to maintain his long-standing commitment to the Dillon Rule and reduce unfunded mandates, things can be done in the name of the Dillon Rule that are not relevant.

Mayor Fraim invited public comment.

Mike Amyx, Director of the Virginia Municipal League, commented that the relationship between state and local government is changing because there is less local funding. He recommended that a contractual relationship between state and local government be developed using higher education as a model; that such cooperation be encouraged through state aid; and that mandates be removed to alleviate the burden on state and local governments. Fraim asked what VML's position would be on sharing revenue streams. Amyx replied that that has worked well in Minneapolis/St. Paul.

Barbara Favola of the Virginia Association of Counties commented that fiscal stability of local governments is important to the Commonwealth because it enables jurisdictional flexibility and the ability to fund state mandates. She urged state tax reform to strengthen general funding and reduce pressure on local governments; local fiscal authority to give counties the same taxation autonomy as cities; educational funding; elimination of state restrictions on county personnel; and a dedicated revenue stream for transportation and all transit operations.

Edwin Daley, of Virginia First Cities, cited two separate social services agencies for Winchester and Frederick Counties as an example of duplication. He mentioned that the cities with the oldest infrastructure with the poorest populations are under the greatest fiscal stress.

Fraim adjourned the meeting at 4:05 p.m.